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SIPDIS

SENSITIVE

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DEPARTMENT PASS TO USTR (AGAMA)

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SUBJECT: NIGERIA: AF DAS MOSS' MEETING WITH TRANSPORT MINISTER

SENSITIVE BUT UNCLASSIFIED--CONTAINS COMPANY PROPRIETARY  
INFORMATION

¶1. (SBU) SUMMARY. Nigeria's roads and railways are in disrepair, creating a logjam for transport and commerce. The Transport Ministry will be looking to public private partnerships to improve mass transit and is developing related legislation. There are significant opportunities for U.S. services and equipment. The Ministry is looking at Build-Operation-Transfer (BOT) models on 25 to 30 year contracts. The Minister wants all projects - roads, airports, rail and ports - structured so investors have a chance to make a profit and the impact on the end user is bearable. The Minister said she had made a decision in principle to allow World Airways to bid for cargo contracts. End Summary.

¶2. (SBU) Ambassador Sanders, AF DAS Todd Moss and Econoffs met with Minister of Transportation Ms. Diezani K. Allison-Madueke on January 14. The Minister said that the current condition of the road network is unacceptable especially in terms of safety. It raises operating costs to the road users who are paying much more in higher fuel consumption, higher vehicle maintenance, higher depreciation, greater travel time and increased accident costs for traveling on bad roads. The economy bears the double burden of high road maintenance costs on the one hand, and rising road user costs on the other. Allison-Madueke said that long neglect of the rail and water transport sub-sectors meant that roads have been forced to carry over 90 percent of the traffic of goods and people. The resulting high impact on the roads has led to their dilapidation and degradation which has in turn placed high financial demands on public sector funding. The Minister stated that with the establishment of the Federal Roads Maintenance Agency (FERMA) and higher levels of funding for maintenance, there has been a relative improvement in the level of road maintenance, but not yet in a sustainable manner.

¶3. (SBU) The Minister noted that road construction and rehabilitation is capital intensive. The Government's current policy is to shift from public funding of road projects, to partnership with the private sector under Public Private Partnerships (PPP). She said that the establishment of the necessary legal, regulatory and institutional framework for PPPs is moving forward for both roads and rail. The Ministry is also preparing some highways for rehabilitation and modernization under Design, Build, Operate and Transfer (DBOT/BOT) schemes and, in accordance with 2008 Budget guidelines, has already advertised for expressions of interest by companies. The Minister emphasized that she urges the private sector, including Nigerian Banks, to participate in Nigeria's national road development.

¶4. (SBU) The Minister also said that the Federal Government has recorded successes and lessons learned on the PPP Scheme with

Airports and Seaports. The recent opening of the local wing of the Murtala Mohammed Airport built under BOT and ports concessioning, provide good examples.

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RAILROADS  
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15. (SBU) The Minister noted that senior officials from General Electric had met with the President and then with the Ministers for gas, power, and transport for exchanges on how GE might assist these sectors. GE already provides gas turbines for electricity generation and engines for locomotives and airplanes and seemed a natural partner for the GON going forward. Although an agreement is in place for Chinese construction of new rail lines, GON and Chinese representatives are discussing how to move forward. The GON has been receiving technical advice on rail from a U.S. consulting firm. The Minister is aware of U.S. company interest in rehabilitation of existing rail lines.

16. (SBU) DAS Moss asked the Minister about timelines to build or rehabilitate the rail system. One scenario is to fast track freight by not changing from narrow rail gauge to standard gauge, but refurbishing existing narrow gauge lines. The almost moribund narrow gauge system, according to the Minister, could be rehabilitated from the current operating speed of 20 km per hour to 60 to 65 km per hour within three years. The Minister mentioned that passenger rail is a challenge because it will require subsidies and it is unclear where the money would come from on a sustainable basis. The Minister looks to complete the build out and rehabilitation of the rail system in six years. She said the Chinese could not/not meet that timetable at present as they want to build whole new lines from scratch. The GON will look for foreign expertise as Nigeria's plans move forward.

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17. (SBU) THE MINISTER REPORTED THAT SHE HAD PREPARED A LETTER TO INFORM THE USG OF APPROVAL FOR WORLD AIRWAYS TO BID FOR CARGO FLIGHTS. THE LETTER WAS ONLY AWAITING THE CONCURRENCE OF THE MINISTER OF STATE FOR AVIATION. (NOTE: EMBASSY HAD NOT RECEIVED THE NOTIFICATION LETTER AT TIME OF TRANSMITTAL OF THIS MESSAGE. END NOTE).

SANDERS